

Message Text

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53

ACTION EA-14

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 H-03

PA-03 PRS-01 USIA-15 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 SAJ-01 NIC-01

DODE-00 PM-07 DRC-01 /161 W
----- 057159

R 251058Z SEP 73

FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 6860
INFO AMCONGEN HONG KONG
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LIMITED OFFICIAL USE SECTION 1 OF 2 BANGKOK 15000

E.O. 11652: N/A

TAGS : EIND, ETRD, TH, CH

SUBJECT : THAILAND DECIDES TO TRADE DIRECTLY WITH THE
PEOPLE'S REPUBLIC OF CHINA

REF: A. BANGKOK 14918

B. BANGKOK A-461, NOV.17, 1972

SUMMARY: DURING ITS REGULAR WEEKLY MEETING ON
AUG. 14, THE THAI CABINET AGREED TO PERMIT GOVT-TO-
GOVT TRADE WITH THE PEOPLE'S REPUBLIC OF CHINA.
REVOLUTIONARY PARTY ANNOUNCEMENT NO. 53, WHICH PRO-
HIBITS ENTRY INTO THAILAND OF COMMUNIST CHINESE
GOODS, WILL BE AMENDED, AND NEW LAWS AUTHORIZING GOVT
OFFICERS TO ENGAGE IN TRADE WITH CHINA AND TO ESTABLISH
A WHOLLY OWNED GOVT CORPORATION IN THE MINISTRY
OF COMMERCE TO CARRY OUT THE CHINA TRADE, SHOULD BE
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PASSED SHORTLY AS A LEGAL BASIS FOR THE TRADE.

PUBLIC STATEMENTS BY GOVT OFFICIALS THAT THE RTG PLANS TO CONTROL EVERY ASPECT OF THE TRADE, MOST PARTICULARLY PRICE AND QUANTITY NEGOTIATIONS FOR BOTH PURCHASE AND SALE, HAVE DRAWN SHARP CRITICISM FROM THE BUSINESS COMMUNITY. HOWEVER, RTG APPEARS CONVINCED THAT THE INITIAL PERIOD OF TRADE WITH CHINA IS MORE IMPORTANT POLITICALLY THAN COMMERCIAL AND THAT TRADE DURING THIS PERIOD MUST REMAIN UNDER STRICT GOVT CONTROL. END SUMMARY

1. RTG ACTS TO PERMIT TRADE WITH CHINA

ABOUT A YEAR AFTER THE THAI NATIONAL PING PONG TEAM VISITED PEKING, AND A THAI PUBLIC-PRIVATE SECTOR TRADE MISSION VISITED THE TRADE FAIR AT CANTON, THE THAI CABINET HAS DECIDED TO PERMIT TRADE WITH THE PEOPLE'S REPUBLIC OF CHINA.

2. THE THAI CABINET HAS PROPOSED THREE LAWS TO THE GOVT-APPOINTED PARLIAMENT TO CREATE A LEGAL BASIS FOR THE TRADE:

A) AMENDMENT OF REVOLUTIONARY PARTY DECREE NO. 53 ISSUED BY SARIT THANARAT IN 1959. THIS DECREE PROHIBITS ENTRY INTO THAILAND OF PRC GOODS. THAI CABINET PROPOSED THAT IT BE AMENDED TO PERMIT GOODS MANUFACTURED IN THE PRC TO ENTER THAILAND. MFA SOURCES TOLD EMBOFF CHINESE WANTED DECREE 53 ABOLISHED; HOWEVER, THAI DECIDED AMENDMENT WAS PREFERABLE TO RETAIN SANCTIONS AGAINST TROUBLE-SOME SMUGGLING OF COMMUNIST CHINESE PRODUCTS INTO THAILAND'S SOUTHERN PROVINCES. PERHAPS OF GREATER POLITICAL SIGNIFICANCE IS THE THAI DESIRE TO AVOID GIVING IN TO EVERY PRC REQUEST WITHOUT OBTAINING ANYTHING IN RETURN. THE PRC HAD ASKED THE RTG TO ABOLISH DECREE 53; THE RTG COMPROMISED BY MERELY AMENDING IT.

B) A LAW TO ESTABLISH A STATE TRADING COMPANY WITH CAPITALIZATION TO TWO MILLION BAHT (\$100,000) IN THE DEPT. OF COMMERCE TO TRADE WITH CHINA. DEPT. OF COMMERCE SOURCES SAID STATE TRADING FIRMS OF OTHER ASEAN COUNTRIES SUCH AS MALAYSIA'S PERCAS AND SINGAPORE'S INTRACO WERE THAILAND'S MODEL FOR THIS PROPOSAL. SOURCES IN COMMERCE MINISTRY POINT OUT THAT ALTHOUGH THE IMMEDIATE CAUSE FOR SETTING UP THIS GOVT FIRM IS TO ADMINISTER TRADE WITH CHINA, THE RTG LIMITED OFFICIAL USE

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FIRM COULD TRADE WITH OTHER COMMUNIST COUNTRIES SOMETIME IN THE FUTURE, FOR EXAMPLE, WITH NORTH VIET NAM AND NORTH KOREA.

C) LAW TO PERMIT RTG CIVIL SERVANTS TO ADMINISTER FOREIGN TRADE WITH THE PEOPLE'S REPUBLIC OF CHINA.

3. THERE IS NO QUESTION THAT THE PARLIAMENT WILL APPROVE THE RTG PROPOSALS NECESSARY TO INITIATE THE CHINA TRADE. PROGRESS,

HOWEVER, HAS BEEN SLOW, PARTLY BECAUSE THE RTG WISHES TO MOVE SLOWLY IN ITS RELATIONS WITH THE PRC, AND PARTLY BECAUSE OF AN INTERNAL THAI DEBATE OVER THE BEST WAY TO CONDUCT TRADE WITH THE PRC.

4. TRADE WITH THE PRC - THE GOVT'S VIEW

FROM THE MOMENT TRADE WITH THE PRC BECAME A POSSIBILITY, THE RTG HAS FEARED A HEAVILY UNBALANCED TRADE IN FAVOR OF THE PRC. THIS FEAR IS QUITE JUSTIFIED. IF THAILAND PERMITTED ITS MERCHANTS TO PURCHASE ANYTHING FROM CHINA THAT THE MERCHANTS COULD RESELL AT A PROFIT IN THAILAND - MEDICINAL HERBS, LIGHT MACHINERY, AND CANNED FRUITS - THAI PURCHASES WOULD FAR OUTSTRIP THAI SALES OF RAW MATERIALS SUCH AS KENAF, SUGAR, MAIZE AND RUBBER, AS A RESULT, THE RTG HAS DECIDED THAT TRADE WITH THE PRC MUST BE IN APPROXIMATE BALANCE, I.E., THAILAND MUST RESTRICT ITS PURCHASES IN CHINA TO WHAT IT CAN SELL IN CHINA.
MASTERS

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